

Message Text

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ACTION NODS-00

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FM USLO PEKING
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C O N F I D E N T I A L PEKING 0193

NODIS

DEPT PASS HONG KONG

E.9. 11652: GDS
TAGS: PFOR,EFIN, CH US

SUBJ: CLAIMS/ASSETS

REF: 77 STATE 098399

1. AMBASSADOR MET WITH A. ROBERT ABBOD, CHAIRMAN OF THE BOARD OF THE FIRST NATIONAL BANK OF CHICAGO (FNBC), AND MEMBERS OF HIS PARTY ON AFTERNOON OF JANUARY 19. FNBC OFFICIALS ARE VISITING PEKING AT THE INVITATION OF THE BANK OF CHINA. (OTHER DETAILS OF ABBOD'S VISIT BEING REPORTED SEPTEL.)

2. PRIOR TO OUR MEETING ABBOD HAD JUST MET WITH WANG YAO-TING, CHAIRMAN OF THE CHINA COUNCIL FOR THE PROMOTION OF INTERNATIONAL TRADE (CCPIT). BANK OF CHINA OFFICIALS ALSO ATTENDED THAT MEETING. AT THE MEETING, WANG TOOK THE INITIATIVE TO RAISE THE CLAIMS/ASSETS PROBLEM, SAYING THAT CHINA WAS INTERESTED IN SETTLING THE ISSUE BUT THAT THE PROBLEM WAS "ON THE US GOVERNMENT'S SIDE." SETTLEMENT OF THE CLAIMS/ASSETS PROBLEM IS NOT TIED TO NORMALIZATION OF DIPLOMATIC RELATIONS.
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ABBOUD SAID HE DID NOT RESPOND DIRECTLY TO WANG BECAUSE HE DID NOT FEEL HIS BANK WAS IN A POSITION TODISCUSS AN ISSUE WHICH INVOLVED THE TWO GOVERNMENTS. WANG, HOWEVER, REPEATED THE "MESSAGE" SEVERAL TIMES. THIS REPETITION, COUPLED WITH THE FACT THAT THE CHINESE KNEW THE FIRST NATIONAL BANK OF CHICAO REPORESENTATIVES

WOULD BE MEETING WITH USLO OFFICERS LATER IN THE AFTERNOON, LED ABBOD TO BELIEVE THAT CHINESE WANTED HIM TO RAISE IT WITH USLO.

3. COMMENT: DURING RECENT CHIEFS OF MISSION CONFERENCE IN HONG KONG, AMBASSADOR WAS TOLD BY SEVERAL US BUSINESSMEN THAT CHINESE HAD MENTIONED CLAIMS/ASSETS PROBLEM TO THEM -- IN TERMS SIMILAR TO WANG'S CONVERSATION WITH ABBOD. ALSO, CHIAO PEI-HSIN, HEAD OF THE BANK OF CHINA, RAISED ISSUE DURING AMBASSADOR'S CALL ON HIM DECEMBER 30, 1977 (REPORTED PEKING 07).

4. THE FACT THAT CHINESE HAVE RAISED CLAIMS/ASSETS WITH ABBOD AND OTHERS DOES NOT NECESSARILY INDICATE THAT PEKING WISHES TO RESUME DIALOGUE NOW WITH USG ON THIS ISSUE. WE NOTE, FOR EXAMPLE, THAT CHIAO PEI-HSIN AND CCPIT VICE CHAIRMAN LI CHUAN RESPONDED TO DAID ROCKEFELLER'S INQUIRY ON THIS ISSUE IN ALMOST IDENTICAL TERMS A YEAR AGO (JANUARY 13, 1977). PRINCIPAL DIFFERENCE WAS THAT ROCKEFELLER, RATHER THAN CHINESE, RAISED THE ISSUE ON THAT OCCASION. DEPARTMENT SUBSEQUENTLY TOOK UP CLAIMS/ASSETS PROBLEM WITH PRCLO, AND EVENTUALLY RECEIVED THE INFLEXIBLE RESPONSE CONTAINED REFTEL. IT SEEMS MORE LIKELY THAT CHINESE WISH CONFIDENTIAL

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TO STIMULATE IN A GENERAL WAY PRESSURE BY THE AMERICAN BANKING COMMUNITY ON THE USG TO SETTLE THE ISSUE -- ON TERMS FAVORABLE TO THE PRC. IN ADDITION, WANG PROBABLY WANTED TO GIVE THE BANKERS AN IMPRESSION OF "REASONABLENESS" ON THE CHINESE SIDE TO COUNTER WHATEVER FIRST NATIONAL BANK OF CHICAGO MIGHT BE HEARING FROM THE USG ON THIS ISSUE. (IN THIS CONNECTION, ABBOD AND HIS COLLEAGUES DID NOT SEEM UNDULY CONCERNED ABOUT THE CLAIMS/ASSETS ISSUE AS A HINDRANCE TO THEIR SHORT-TERM RELATIONSHIP WITH THE BOC ALTHOUGH, LIKE OTHER US BANKERS, THEY WOULD LIKE TO SEE THE ISSUE SOLVED EVENTUALLY.)

5. AT THIS POINT WE SEE THREE GENERAL ALTERNATIVES ON THIS ISSUE: (1) DO NOTHING UNTIL CHINESE TAKE INITIATIVE TO RAISE IT WITH US AT AN OFFICIAL LEVEL, (2) RAISE ISSUE FORMALLY WITH FOREIGN MINISTRY AND/OR BANK OF CHINA, REFERRING SPECIFICALLY TO RECENT CONVERSATIONS BETWEEN CHINESE AND US BUSINESSMEN, OR (3) PURSUE ISSUE INFORMALLY WITH CHINESE AT A SUITABLE

SOCIAL FUNCTION -- FOR EXAMPLE, WITH WANG
YAO-TING.

6. LACKING A FIRMER INDICATION OF CHINESE
WILLINGNESS TO SETTLE, MAINFESTED BY SOME
FLEXIBILITY ON DESIGNATED NATIONALS AND THIRD
COUNTRY BANK ISSUE, WE BELIEVE BEST COURSE AT THIS
POINT IS OPTION THREE.
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